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## ✓ Latest release

# The labour force framework

## Labour Statistics: Concepts, Sources and Methods

Reference period: 2023

Released 24/11/2023

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## Concepts and international guidelines

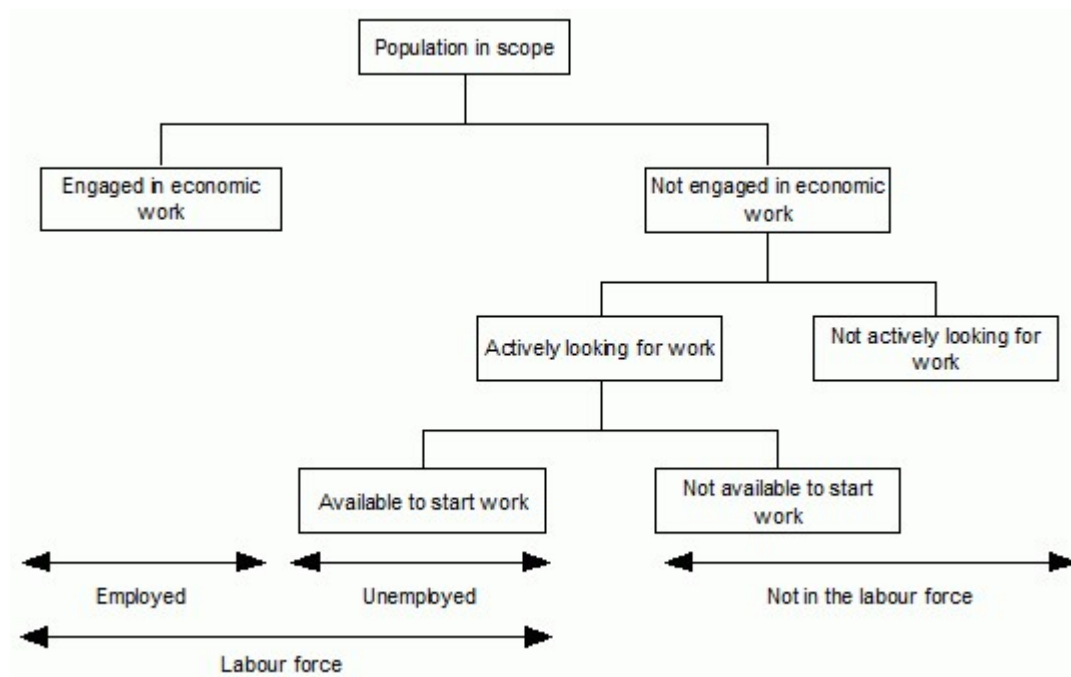
The currently economically active population is also referred to as the labour force. The labour force is conceptually equivalent to the labour supply available for the production of economic goods and services in a given short reference period. The labour force is the most widely used measure of the economically active population. The term 'labour force', as defined by the International Labour Organisation (ILO) in the international standards, is associated with a particular approach to the measurement of employment and unemployment. Essentially, this approach is the categorisation of persons according to their activities during a short reference period, using a specific set of priority rules.

The ABS labour force framework classifies a population, at a given point in time, into three mutually exclusive categories:

- Employed;
- Unemployed; and
- Not in the Labour Force (NILF).

Those persons contributing to economic activity are also known as employed persons, while those seeking to contribute to economic activity are also known as unemployed persons. The employed and unemployed categories together make up the labour force, which gives a measure of the number of persons contributing to, or actively looking and immediately available for, the supply of labour at that time. The third category (not in the labour force) represents the currently economically inactive population.

## The Labour Force Framework



The labour force framework includes detailed rules for sorting the population into its categories. These rules are applied in population surveys through three steps. The first involves identifying the in-scope population. The second involves identifying, within the in-scope population, those persons who were engaged in economic activity and who were either at work or temporarily absent from work. The third step involves identifying, among the remaining persons, those persons who were actively seeking and available for work, or who were not seeking work because they were waiting to commence a job that they had already found. The labour force framework classifies persons identified in the second step as employed, and those identified in the third step as unemployed. The residual in-scope population is classified as 'not in the labour force'.

The labour force framework rules have the following features:

- the activity principle, which is used to classify the population into one of the three basic categories in the labour force framework;
- a set of priority rules, which ensure that each person is classified into only one of the three basic categories; and
- a short reference period, to reflect the labour supply situation at a specified point in time.

The rationale for the treatment of people temporarily absent from work, and of people waiting to start a job they have already found, stems directly from the labour supply perspective, and is discussed further below (and in the Unemployment chapter).

## Activity principle

The activity principle of the labour force framework requires that a person's labour force status is determined by what they were actually doing in the reference period, in terms of their engagement in, or capacity to engage in, economic activity. Commonly, surveys seek responses to a series of activity-based questions, which reflect both the reference period and the priority rules. The purpose of the activity principle is to provide an objective measure of the labour force.

## **Priority rules**

Under the priority rules, precedence is given to employment over unemployment and to unemployment over economic inactivity. To ensure that all economic activity is covered, a practical minimum quantity of work is required (one hour or more in the short reference period); this also ensures that only those completely without work can be classified as unemployed. Of those completely without work, the unemployed must have taken active steps to obtain work and be currently available for work. The employed, the unemployed and the inactive are thus mutually exclusive and exhaustive components of the population.

Together, the priority rules and the activity principle provide unambiguous labour force measures, regardless of other activities that may be undertaken at the same time. For example, a person at work may also be actively seeking other employment; they are currently contributing to economic production and are therefore classed as employed, despite their job search. Similarly, a person working part-time while undertaking full-time study will be classed as employed. Likewise, a full-time student who is not working and is actively seeking and available for work will be classed as unemployed.

## **Reference period**

The concepts of employed and unemployed need to relate to short time periods to allow meaningful measures of current levels and changes in employment and unemployment. Two short reference periods are presented in the international standards as suitable for the purpose: one week; and one day. Since employment and unemployment are stock concepts, the statistical measures would ideally be of a precise point in time. However, the closest practical time-span that could represent a single point in time is one day or one week. The choice between a one week and a one day reference period is not a recent problem, but one that has been the subject of much consideration and debate by labour statisticians for over 50 years.

As a result of the application of the priority rule (under which economic activity, however little, has precedence over other non-economic activities), the labour force measured using a one week reference period must always be equal to or greater than the labour force measured using a single day of that reference week. The difference between the two

measures depends on the relative number of persons who change their activity status during a week. The differences are likely to be fairly small, because, in the course of a week, the movement of persons from unemployed to employed, and from employed to unemployed, is more likely than persons changing their status from inside the labour force to outside the labour force.

The solution adopted in the international standards aims to satisfy different conditions which exist among countries. In countries such as Australia, where regular full-time employment is dominant, similar average results will arise from the use of a reference period of a week or a single day; however, the one week reference period is likely to provide results of lower variance and is therefore preferred. Conversely, where persons employed in casual, part-time, or temporary jobs constitute a significant proportion of total employment, the use of a one day reference period will provide a more precise measure of employment and unemployment than using a reference period of a week.

## **Application of the framework**

In household surveys, labour force status is derived by asking a series of questions about a person's work-related activities and availability for work in the reference period.

The criteria for determining a person's labour force status are (broadly) as follows:

- whether a person has work (i.e. economic work, including production and processing of primary products for own consumption, own-account construction and other production of fixed assets for own use, but excluding activities such as unpaid domestic work and volunteer community services); and
- whether those who do not have work are:
  - actively looking for work; and
  - available to start work.

The determination of labour force status from these criteria is as follows:

- a person who meets the first criterion is classified as employed, and hence in the labour force (currently economically active);
- a person who meets all of the subsequent criteria (i.e. without work, actively looking for work, and available to start work) is classified as unemployed, and hence in the labour force (currently economically active); and
- a person not classified as employed or unemployed is classified as not in the labour force (not currently economically active).

## **Employed**

Employed persons are defined as all persons aged 15 years and over who, during the reference week:

- worked for one hour or more for pay, profit, commission or payment in kind, in a job or business or on a farm (comprising employees and owner managers of incorporated or unincorporated enterprises); or
- worked for one hour or more without pay in a family business or on a farm (i.e. contributing family workers); or
- were employees who had a job but were not at work and were:
  - away from work for less than four weeks up to the end of the reference week, or
  - away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four week period to the end of the reference week, or
  - away from work as a standard work or shift arrangement, or
  - on strike or locked out, or
  - on workers' compensation and expected to be returning to their job; or
- were owner managers, who had a job, business or farm, but were not at work.

## **Unemployed**

Unemployed persons are defined as persons aged 15 years and over who were not employed during the reference week, and:

- had actively looked for full-time or part-time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week; or
- were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.

## **Persons Not In the Labour Force (NILF)**

Persons not in the labour force are defined as persons aged 15 years and over who were neither employed nor unemployed. They include persons who are:

- retired or voluntarily economically inactive;
- performing home duties or caring for children;
- attending an educational institution;
- experiencing a long-term health condition or disability;
- experiencing a short-term illness or injury;
- looking after an ill or disabled person;
- undertaking travel or a leisure activity;
- working in an unpaid voluntary job;

- in institutions (hospitals, gaols, sanatoriums, etc.);
- permanently unable to work; and
- members of contemplative religious orders.

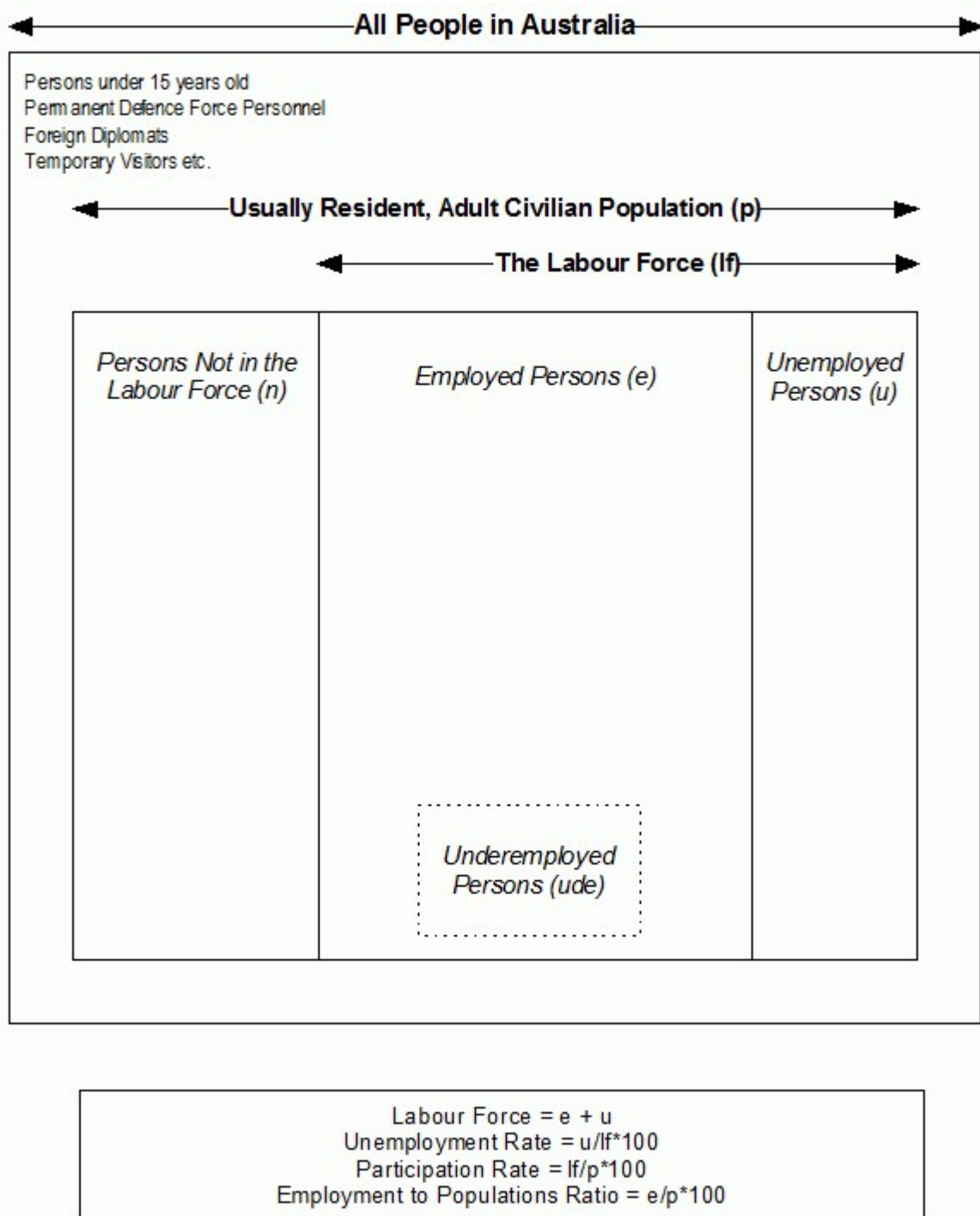
## **Statistical measures**

The ABS produces a number of statistics to summarise the state of the labour market in relation to the number of people in Australia who are either:

- employed,
- unemployed, or
- not in the labour force.

The diagram below depicts how the labour force framework is applied to all persons in Australia.

## **How the Labour Force Framework Applies to All People in Australia**



## Basic labour force formulae

The labour force can be described and examined using a range of simple formulae. These provide both total numbers for various categories, as well as rates and ratios which serve as analytical tools for interpreting the data.

The Labour Force Survey publishes labour force participation rates and other population ratios on a regular basis. For more information on the contents and methodology of this survey, refer to the Labour Force Survey section of this publication.



## Labour force categories

The labour force ( $lf$ ) is made up of all employed and unemployed persons.

$$\text{labour force}(lf) = \text{employed persons } (e) + \text{unemployed persons } (u)$$

The usually resident, adult civilian population ( $p$ ), often simply referred to as 'the population' or 'the civilian population', is made up of the labour force and all persons not in the labour force.

$$\text{civilian population } (p) = lf + \text{persons not in the labour force } (n)$$

The underutilised population is made up all persons who are unemployed and all employed persons who want to and are available to work more hours, known as the underemployed.

$$\text{underutilised persons} = u + \text{underemployed persons } (ude)$$

## Rates and ratios

Various rates and ratios are used extensively in analyses of labour statistics, in particular to monitor changes in the size and composition of the supply of labour. These include the unemployment rate, the labour force participation rate, the underemployment rate and ratio, the underutilisation rate, and several population ratios. Although the names of these relative measures often include 'rate' or 'ratio', they are typically published by the ABS as a percentage.

The unemployment rate shows the percentage of the labour force which is unemployed, relative to those in the labour force.

$$\text{unemployment rate} = \frac{u}{lf} \times 100$$

The labour force participation rate shows the proportion of the in-scope population which is in the labour force, relative to those who are not in the labour force.

$$\frac{\text{labour force}}{\text{participation rate}} = \frac{lf}{p} \times 100$$

The underemployment rate and ratio are supplementary measures of underutilised labour capacity. Underemployed persons can be expressed either as a percentage of employed persons (underemployment ratio) or as a percentage of the total labour force (the underemployment rate).

$$\text{underemployment ratio} = \frac{ude}{e} \times 100$$

$$\text{underemployment rate} = \frac{ude}{lf} \times 100$$

The labour force underutilisation rate combines the unemployment and underemployment rates to show the proportion of the population who are looking for work, either as unemployed or as underemployed, expressed as a percentage of the total labour force.

$$\text{underutilisation rate} = \frac{u+ude}{lf} \times 100$$

Population ratios provide information on the percentage of persons in a population with certain characteristics. The employment to population ratio shows the proportion of the total population who are employed, relative to those who are unemployed or not in the labour force.

$$\text{employment to population ratio} = \frac{e}{p} \times 100$$

Relative frequencies can also be calculated for specific subgroups within the population with specific characteristics, such as a certain age group. These frequencies are typically calculated by applying the characteristics to both the numerator and denominator, such that they represent the frequency of a smaller group with specific characteristics relative to a larger group with those same characteristics. Examples are the employment to working age population ratio, and the youth unemployment rate.

The employment to working age population ratio is derived from the employment to population ratio, but restricted to include only persons below the retirement age, currently 65. It shows the ratio of employed persons aged 15-64 years ( $e^{15-64}$ ), relative to all persons aged 15-64 years ( $p^{15-64}$ ). The rationale is that this measure is less impacted over time by changing demographic structures than the employment to population ratio. It is, however, important to note that, since people do continue to work past the official retirement age or return to work after retirement, this measure does not capture the full scope of employment.

$$\text{employment to working age population ratio} = \frac{e^{15-64}}{p^{15-64}} \times 100$$

The youth unemployment rate facilitates the specific analysis of youth unemployment. It shows the proportion of persons aged 15-24 years who are unemployed ( $u^{15-24}$ ), relative to all persons aged 15-24 in the labour force ( $lf^{15-24}$ ).

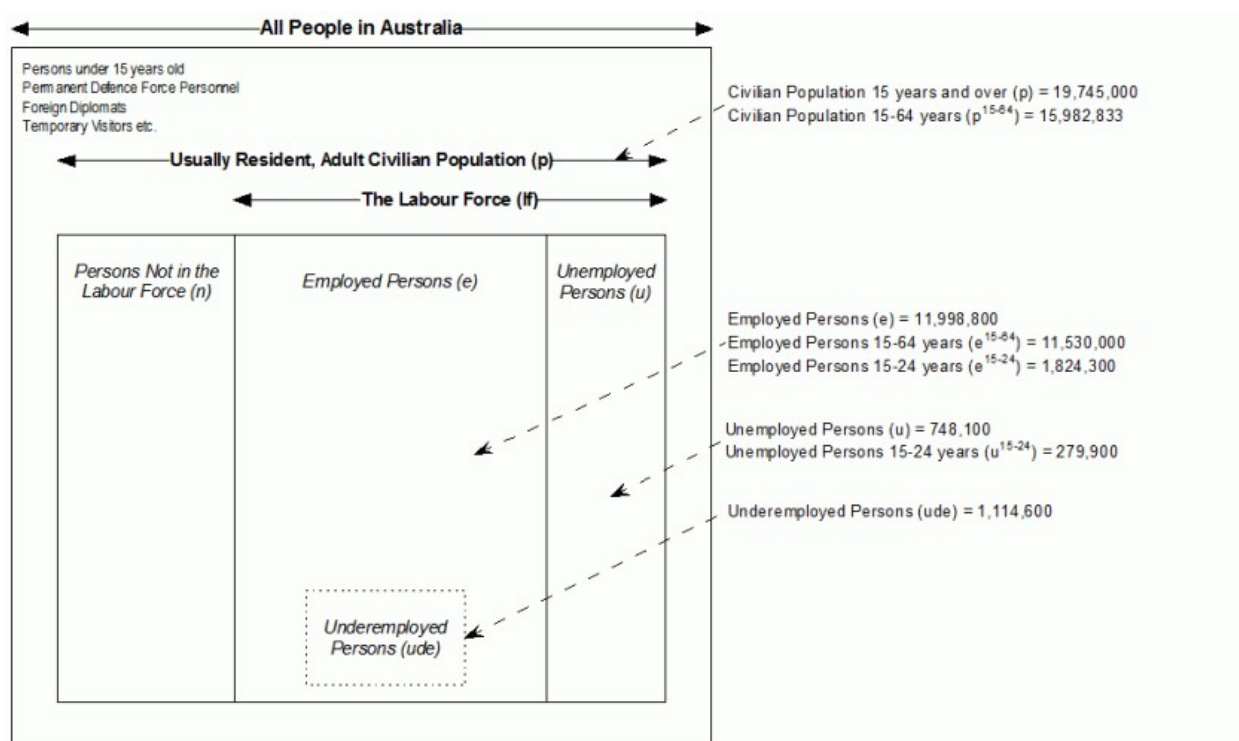
$$\text{youth unemployment rate} = \frac{u^{15-24}}{lf^{15-24}} \times 100$$

### Example: solving the formulas

The following example details how some of these formulae are calculated using example data from the Labour Force Survey.

- Civilian population 15 years and over = 19,745,000
- Civilian population aged 15-64 years = 15,982,833
- Employed persons = 11,998,800
- Employed persons aged 15-64 years = 11,530,000
- Employed persons aged 15-24 years = 1,824,300
- Unemployed persons = 748,100
- Unemployed persons aged 15-24 years = 279,900
- Underemployed persons = 1,114,600

## Solving the formulas



Using the data above, the employment to population ratio is calculated as:

$$\begin{aligned}
 \text{employment to population ratio} &= \frac{e}{p} \times 100 \\
 &= \frac{11,998,800}{19,745,000} \times 100 \\
 &= 60.8\%
 \end{aligned}$$

One might then want to know how much of the total population is in the labour force (the labour force participation rate), or how much of the labour force is unemployed (the unemployment rate). To do this, however, one would need to first work out the size of the labour force, which is made up of the employed and the unemployed.

$$\begin{aligned}
 \text{labour force} &= e + u \\
 &= 11,998,800 + 748,100 \\
 &= 12,746,900
 \end{aligned}$$

It is then possible to calculate the labour force participation rate and the unemployment rate.

$$\begin{aligned}
 \frac{\text{labour force}}{\text{participation rate}} &= \frac{lf}{p} \times 100 \\
 &= \frac{12,746,900}{19,745,000} \times 100 \\
 &= 64.6\%
 \end{aligned}$$

$$\begin{aligned}
 \text{unemployment rate} &= \frac{u}{lf} \times 100 \\
 &= \frac{748,100}{12,746,900} \times 100 \\
 &= 5.9\%
 \end{aligned}$$

One might then want to examine the prevalence of underemployment, both among employed people and within the entire labour force. For this, one would turn to the underemployment ratio and the underemployment rate.

$$\begin{aligned}
 \text{underemployment ratio} &= \frac{ude}{e} \times 100 \\
 &= \frac{1,114,600}{11,998,800} \times 100 \\
 &= 9.3\%
 \end{aligned}$$

$$\begin{aligned}
 \text{underemployment rate} &= \frac{ude}{lf} \times 100 \\
 &= \frac{1,114,600}{12,746,900} \times 100 \\
 &= 8.7\%
 \end{aligned}$$

Neither unemployment nor underemployment alone tells the whole picture of underutilised labour. As such, one would then want to know about the total amount of underutilisation in the labour force, and therefore would want to know the labour force underutilisation rate. Firstly, the number of underutilised persons, which is the sum of unemployed and underemployed, needs to be calculated.

$$\begin{aligned}
 \text{underutilised persons} &= u + ude \\
 &= 748,100 + 1,114,600 \\
 &= 1,862,700
 \end{aligned}$$

It is then possible to calculate the underutilisation rate.

$$\begin{aligned}\text{underutilisation rate} &= \frac{u + ude}{lf} \times 100 \\ &= \frac{1,862,700}{12,746,900} \times 100 \\ &= 14.6\%\end{aligned}$$

One might also be interested in looking specifically at unemployment among young people. To do this, one might decide to calculate a youth unemployment rate by restricting the labour force to only persons aged 15-24 years. The correct formula would divide unemployed persons aged 15-24 years ( $u^{15-24}$ ) by all persons in the labour force aged 15-24 years. The first step is to calculate the labour force aged 15-24 years, which is the sum of employed persons aged 15-24 years ( $e^{15-24}$ ) and unemployed persons aged 15-24 years.

$$\begin{aligned}\text{labour force aged} &= e^{15-24} + u^{15-24} \\ \text{15 to 24 years} &= 1,824,300 + 279,900 \\ &= 2,104,200\end{aligned}$$

It is then possible to calculate the youth unemployment rate.

$$\begin{aligned}\text{youth unemployment rate} &= \frac{u^{15-24}}{lf^{15-24}} \times 100 \\ &= \frac{279,900}{2,104,200} \times 100 \\ &= 13.3\%\end{aligned}$$

One might further consider the implications of the age distribution of the population and realise that some of the previous frequencies, such as the employment to population ratio, might be impacted by an ageing population and greater numbers of retired persons not in the labour force. Therefore, one might decide to calculate an employment to population ratio only for persons aged between 15 and the retirement age, currently 65. The correct formula would divide employed persons aged between 15 and 64 years ( $e^{15-64}$ ) by a civilian population restricted to those aged between 15 and 64 years ( $p^{15-64}$ ).

$$\begin{aligned}\text{employment to working} &= \frac{e^{15-64}}{p^{15-64}} \times 100 \\ \text{age population ratio} &= \frac{11,530,000}{15,982,833} \times 100 \\ &= 72.1\%\end{aligned}$$

## Extensions to the framework

The basic framework, as outlined above, can be extended to identify various sub-groups within the labour force.

## **Employment types and arrangements**

The arrangements of employment vary among employed persons. Persons may be employed as employees; however, they may also be an owner-manager of an enterprise, either incorporated or unincorporated, and either with or without employees. The ABS Status in Employment classification allows these groups to be separately identified within the labour force. Employees may also be broken down into groups based on the arrangements of their employment. Such breakdowns may be based on casual employment, contract work, labour hire employment, or even on job stability and flexibility measures.

## **Hours worked**

Hours of work can be used to break down employment into smaller categories based upon either actual or usual hours worked, or the desired hours worked. Employed persons are classified as employed full-time if they worked 35 or more hours in the reference week, or worked less than 35 hours in the reference week but usually work 35 or more hours in a week. They are classified as part-time if they usually work less than 35 hours and did so in the reference week.

## **Labour participation potential: underemployment, marginal attachment, and discouraged jobseekers**

Labour participation potential refers to potential labour which is not undertaken for a variety of reasons. It is a broader measure than unemployment, as potential labour can exist also within both of the other labour force categories of employment and not in the labour force.

The ABS produces both headcount (number of persons) and volume (number of hours) measures of underutilisation. Within employment, underemployment refers to a situation where the supply of labour is greater than the demand, and therefore employed persons are working fewer hours than they would like to. It is possible to identify employees who are underemployed by asking whether they want to work more hours than they currently do. Underemployment is a distinct measure of labour force underutilisation; however, it can also be combined with unemployment to form a broader measure of total underutilised labour in the economy.

The underutilised population can be further extended by the addition of select groups of persons not in the labour force, known as the marginally attached. Marginal attachment

refers to persons who are not currently in the labour force, but who want to work. They are divided into two categories: those actively looking for work but not available to start work in the reference week, and those not actively looking for work but available to start work within four weeks. Within the second category are discouraged jobseekers, who are persons not looking for work because they believe that they are unlikely to find a job for a variety of reasons.

## **Long-term unemployed job seekers**

Within unemployment, it is possible to identify persons who are in long-term unemployment, defined as having duration of unemployment of 12 months or more. The number of unemployed people is an important social and economic indicator. The length of time that unemployed people have been looking for work or since they last worked (previously referred to as duration of unemployment) is also important from both an economic and social perspective. Long-term unemployment (i.e. where duration of job search is 52 weeks or more) is of particular social concern due to the consequences of being out of work for long periods, such as financial hardship and the loss of relevant skills. From an economic perspective, the longer people are unemployed the less likely they are going to be able to contribute to the economy.

Since its inception in 1960, the ABS Labour Force Survey (LFS) has collected information about duration of unemployment for unemployed persons. The survey collects data each month about the length, in completed weeks, of current (incomplete) spells of looking for work and/or time since last job from those who are currently unemployed.

The definition used by the ABS aligns with international standards (19th ICLS resolution (2013) concerning statistics of work, employment and labour underutilisation).

## **Labour force framework examples**

The section below discusses the treatment in the Labour Force Survey of particular groups of persons as employed, unemployed or not in the labour force. These groups include: participants in labour market programs (such as the 'Work for the Dole', 'Community Development Employment Projects (CDEP)' and 'Structured Training and Employment Project (STEP)' schemes); students; contributing family workers; and future starters.

### **Participants in labour market programs**

A wide range of labour market programs are provided by governments. These programs aim to: assist the efficient functioning of the labour market; help individuals and industry to improve the productivity and skills of the labour force; and improve the skills and

employment prospects of persons disadvantaged in the labour market. Programs implemented by governments take various forms including wage subsidies to employers, vocational training, paid and unpaid work experience, and assistance in finding employment.

The Labour Force Survey does not ask any questions directly related to participation in labour market programs. Such information is neither necessary nor sufficient to determine labour force status. Individual participants are counted as employed, unemployed or not in the labour force according to economic (work-related) activity undertaken in the survey reference period. The labour force measure, based on economic activity tests, is thus consistent over time and independent of administrative changes to labour market programs or their eligibility rules.

Persons working for pay in a job for which their employer receives a government subsidy are 'working in a job' (employed), regardless of the subsidy (about which the person may have no knowledge).

The treatment of participants in programs involving training but no subsidy (paid either to employers or participants) depends on the individual circumstances of the participant. If the participant worked for pay in a job (or was temporarily away from work) during the reference week, they should be classified as employed. If they did no paid work (and were not temporarily away from work), they are classified as either unemployed or not in the labour force depending on whether they actively looked for, and were available to commence work, in the survey reference period.

Below are some common labour market programs, and how the participants of these programs are treated in the Labour Force Survey.

## **Work for the Dole**

Work for the Dole is a government program aimed at providing work experience to improve the skills, and future (paid) employment prospects, of persons registered for unemployment benefits. Under 'Work for the Dole' schemes, to maintain their eligibility for benefits, persons are required to undertake work-like activities at a host organisation (e.g. government agencies) or as part of a community-based project for a number of hours per week.

Superficially, such persons might be regarded as 'employed' as they are working for one hour or more and receive a payment. However, they are not paid for their work by the organisations undertaking the community projects. The participants are receiving only their unemployment benefit entitlement, paid directly by the administering government agency. As the community organisations do not have employer/employee relationships with the



scheme participants, activity in a 'Work for the Dole' scheme is not considered to be engagement in an employee job.

Accordingly, the labour force status of persons participating in 'Work for the Dole' schemes is determined according to economic (work-related) activity undertaken in the survey reference period. They are classified either as unemployed or not in the labour force, depending on whether they actively looked for, and were available to commence work, in the survey reference period.

## **General job-search assistance programs**

Various government programs have provided assistance to job-seekers. Interaction with these programs may constitute actively looking for work, and therefore impact on a person's labour force status.

Up to June 2014, as well as being registered with any other employment agency, being registered with Centrelink as a jobseeker was considered to be an active step. In July 2014, being registered with Centrelink was removed, while being registered with a Job Services Australia provider was added.

In July 2015, Job Services Australia was replaced by the "jobactive" program. As the names of employment programs may change in the future, the question wording was updated to remove any explicit references to agencies or programs and now refers to the generic "employment agency".

## **Programs in remote areas of Australia**

Community Development Employment Projects (CDEP) was a scheme of the Australian Government which provided local employment opportunities for Aboriginal and Torres Strait Islander communities. Under the scheme, Indigenous communities and organisations could receive a grant, similar in value to the collective unemployment benefit entitlements of participating community members, to undertake a wide range of community development projects. Individuals could choose whether or not to participate in the scheme, by which they would forgo their unemployment benefits in exchange for paid employment. The work in which they might engage was determined by the community or organisation, and included activities such as housing repairs and maintenance, artefact production, road works, market gardening, fishing and other business and cultural activities.

Under the CDEP scheme, the community met all legal responsibilities to its workers, including the provision of award wages and conditions, workers' compensation insurance, and income tax liabilities. Accordingly, an employment relationship was deemed to have existed between the community (employer) and the members of the community

undertaking work (employees). Participation in the scheme was considered to have been engagement in a paid employment job, and participants were classified as having been employed.

From July 2009 onwards, the CDEP scheme was discontinued in non-remote locations where the economy is well established. Individuals in these communities who were formerly paid wages under CDEP instead received alternative income support benefits.

Unless they had another form of paid employment, persons receiving income support benefits were not considered to have been employed. Instead, they were classified as unemployed or not in the labour force, depending on whether or not they were actively looking for, and were available to, work.

In remote communities, participants who joined CDEP prior to July 2009 continued receiving wages until June 2017, and continued to be classified as employed. New participants received income support benefits, and were treated as either unemployed or not in the labour force.

In July 2013, the Remote Jobs and Community Program (RJCP) replaced CDEP. Like CDEP, RJCP participants received income support payments, and were treated as either unemployed or not in the labour force.

On 1 July 2015, the Community Development Programme (CDP) replaced the RJCP. The CDP has two objectives: helping people find work, and allowing them to contribute to their communities and gain skills while looking for work. Under this program, job seekers with activity requirements are expected to do up to 25 hours per week of work-like activities. Activities can take different forms that are suited to the job seeker, their community and the local job market. Job seekers can undertake formal training (as an opportunity to gain qualifications), or foundation skills training (e.g. language, literacy, numeracy and driver training) as part of their activity requirements. Like RCJP, CDP participants receive income support payments, and are therefore classified as either unemployed or not in the labour force.

## **Students**

Persons engaged in full-time or part-time study who satisfy the criteria for classification as employed are treated in the same way as any other group. Their labour force status is determined according to economic (work-related) activity undertaken in the survey reference period. International students meeting these same requirements, including residency requirements, are similarly included.

## **Contributing family workers**

Persons working without pay in an economic enterprise operated by a related person are called 'contributing family workers'. They are classified as 'employed' if they worked one hour or more in the reference week, and as 'unemployed' or 'not in the labour force' if they did not work during the reference week.

Although ILO guidelines indicate that an unpaid family worker is a person working without pay in an economic enterprise operated by a related person living in the same household, in Australia there is no requirement for the related person to be living in the same household.

## **Future starters**

Future starters are those persons who were not employed during the reference week, were waiting to start a job within four weeks from the end of the reference week, and could have started in the reference week if the job had been available then. Future starters are classified in both international standards and in Australia's labour statistics as unemployed.

Under ILO guidelines, future starters do not have to be actively looking for work in order to be classified as unemployed. Until February 2004, the Labour Force Survey definition of unemployed only included the subset of future starters who had actively looked for work in the four weeks to the end of the reference week. Hence, the Labour Force Survey treatment of future starters was not fully consistent with the ILO standards, as the precondition of active job search was not waived meaning some future starters were defined as 'not in the labour force'. From February 2004, future starters who had not actively looked for work are classified as unemployed in the Labour Force Survey, in line with ILO guidelines. Labour Force Survey estimates were revised back to April 2001 to reflect this change. This revision created a small trend break at April 2001 in unemployed persons and unemployment rate series.

## **Hours worked and the one hour criterion**

Employment is determined using a minimum amount of work within a specific period. Guided by international standards, it is usually set at one hour, either per day or per week.

The ABS has always used a one hour per week criterion. The ABS uses this criterion for several reasons:

- It equally covers the various types of employment; including full-time work, part-time work, shift work, casual work, on-call work and other irregular employment which may be missed should a higher threshold be set.
- By classifying a person working even for only one hour as employed, it maintains the priority rules discussed above, ensuring that employment always takes precedence over other activities, regardless of the amount of time devoted to it.
- As the definitions of employment and unemployment are interrelated, it allows

unemployment to be defined as a total lack of work.

- It allows employment to be used alongside hours worked as a complete measurement of labour input for productivity analysis.

It is important to understand that 'employed' is a binary category: a person is either employed or not employed (with the latter separated into either unemployed or not in the labour force). The employment classification does not take into account whether the employment is satisfactory for the employed person, or sufficient to live on. The ABS publishes additional information on the characteristics of employment, including number of hours worked and remuneration received which, when analysed in the light of other labour, economic, and social data (e.g. purchasing power, measured in the Consumer Price Index), provides more detail about the quality and sufficiency of employment.

The number of hours worked by employed persons is a statistic collected for a number of reasons. It is used to measure the total volume of labour input, which is useful for economic analysis, but also as a characteristic of employment, useful for analysis of economic and social well-being, as well as structural changes in the labour force. In addition, it is used to define jobs and employment as either full-time or part-time.

There is no standard international definition of 'full-time'; however, many countries specify a minimum number of hours per week in statistical collections. Australia considers persons who work a total of 35 or more hours in the reference week to be employed full-time. This can be calculated for individual jobs (e.g. was the person employed full-time in their main job in the reference week?) and for all jobs combined (e.g. did the person work full-time in the reference week, in one or more jobs combined?). This definition is designed to be a robust and stable measure across the labour market, and as such does not take into account what individual employees, employers or industries subjectively consider to be 'full-time.'

Australia defines full-time employed persons as those who worked 35 hours or more during the reference week in all jobs in headline labour force estimates and publications.

Hours of work are measured in multiple ways, including hours actually worked in the reference period (which includes overtime), hours usually worked (which excludes irregular overtime and leave), or hours paid for in the reference period (which includes paid leave).

## Standards for labour force statistics

The [Standards for Labour Force Statistics \(/statistics/standards/standards-labour-force-statistics/latest-release\)](https://www.abs.gov.au/statistics/standards/standards-labour-force-statistics/latest-release) presents statistical standards for five of the commonly used core labour force variables:

- Labour Force Status
- Status in Employment
- Hours Worked
- Full-time/part-time Status
- Duration of Job Search

The standard for each variable includes the concept(s), definition(s), classification, coding structure, questionnaire modules and output categories used in ABS interviewer-based and self-enumerated collections.